



## Washington State Senate

**LINDA EVANS PARLETTE**  
Washington State Senator, 12th District  
**MEMORANDUM**

**TO:** HONORABLE MEMBERS OF THE HOUSE & SENATE  
**FROM:** SENATOR LINDA EVANS PARLETTE  
**SUBJECT:** SB 6050, CREATING THE CITY-COUNTY ASSISTANCE ACCOUNT IN THE CUSTODY OF THE STATE TREASURER  
**DATE:** APRIL 21, 2005  
**CC:**

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The JLARC is directed to review the distributions to cities and counties to determine the extent to which the distributions target needs of cities and counties for which the repeal of the Motor Vehicle Excise Tax had the greatest fiscal impact. The JLARC will report its findings and recommendations to the Legislature by December 31, 2008.

The formula functionally distributes half of the money to cities and half to counties. If you would like a hard copy of city and county benefit levels, please contact my office and I will provide you with a list of benefits and to what extent.

### A. Function of the Bill

This proposal takes 1.6% of the 7.7% of Real Estate Excise Tax (REET) going to the Public Works Assistance Account (PWAA) and dedicates it to local government financial assistance. This translates to \$20 million next biennium, or \$10 million a year in financial assistance.

Money will be distributed to local governments on a formula basis with no restrictions as to how the local governments could use the funds.

### B. Some Background on REET & Public Works Assistance Account

*-- How is the Real Estate Excise Tax spent?*

The Real Estate Excise Tax (REET) is paid by citizens upon the purchase and sale of real estate – 91.3% of the REET goes to the general fund, 7.7% goes to the Public Works Assistance Account, and 1% is kept for administration and collection.

*-- Will this eat into the principal of the Public Works fund?*

There are four revenue sources for the Public Works Assistance Account: loan repayments, the REET, the refuse collection tax, and public utility taxes. Even after the \$20 M biennial diversion of a portion of the REET, the Public Works Assistance Account is projected to grow by over 10% next biennium. The 20 million dollar diversion does not hurt the principal of the PWAA. However, HB 1903 also utilized the PWAA -- to the tune of \$50 M a biennium. When both of these are combined, it is eminently possible the PWAA will have less "principal"/new revenue coming in next biennium than the current biennium. On its own, 6050's diversion would still have allowed the PWAA to grow by 10% next biennium.